

**Order of Appointment for
Vermont Energy Investment Corporation
Pursuant to 30 V.S.A. § 209(d)(5)**

Issued by the Public Service Board

****INSERT DATE**, 2010**

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INTRODUCTION

By the authorization provided in 30 V.S.A. § 209(d)(5), the Public Service Board issues this Order of Appointment to Vermont Energy Investment Corporation to serve as a Vermont Energy Efficiency Utility effective **[insert date of this Order]** through **December 31, 2021**. This document describes the general responsibilities and scope of activities to be performed by Vermont Energy Investment Corporation ("VEIC") as an Energy Efficiency Utility ("EEU").

The appointee must also adhere to the procedural and administrative guidelines and requirements of an EEU as described in the Public Service Board's ("Board" or "PSB") "Process and Administration for an Order of Appointment," unless otherwise stated in this Order of Appointment ("Appointment"). Requirements and criteria outlined in the "Process and Administration for an Order of Appointment" are not repeated herein. Certain provisions highlighted herein are discussed in greater detail in the Process and Administration document.

SECTION I: GENERAL

1. This Order of Appointment shall be effective on the date of issuance. For the period between the date of this Appointment and January 1, 2012, a Transition Period Plan is adopted, as set forth in Appendix A to this Appointment.
2. This Order of Appointment may be modified by the Board after such process as the Board shall require.
3. The first Three-Year Performance Period under this Appointment shall be the calendar years of 2012-2014.
4. The first Overall Performance Assessment ("OPA"), as defined in the Process and Administration document, under this Appointment shall occur in the latter half of 2015. This OPA shall review performance in at least the 2009-2011 and the 2012-2014 periods.

SECTION II: RESPONSIBILITIES OF VEIC AS AN EEU

Section II of this document describes the responsibilities of VEIC's appointment to serve as an EEU. These responsibilities include acquiring cost-effective demand-side electric efficiency resources as well as cost-effective energy efficiency opportunities associated with [Heating-and-Process Fuels](#).

1. VEIC shall design and implement demand-side services and initiatives to comprehensively address cost-effective opportunities associated with electric and Heating-and-Process-Fuels energy efficiency. VEIC shall, in regards to the provision of these services:
 - A. Increase the efficiency of buildings, equipment, products, and other end uses;
 - B. Reduce absolute energy use through controls, sizing, operation and maintenance practices and other consumer actions;
 - C. Maximize the acquisition of Net Benefits for all customers;
 - D. Prioritize lost opportunity markets;
 - E. Pursue market transformation strategies;
 - F. Coordinate with and leverage regional and national efficiency efforts;
 - G. Provide all Vermont consumers that are eligible to be served by VEIC under this appointment with the opportunity to participate in EEU services and initiatives;
 - H. Strive to provide comprehensive services to all customers;
 - I. Provide information, technical assistance and/or financial incentives for cost-effective demand-side resources to help overcome market barriers to their implementation;
 - J. Seek to maximize and facilitate customer contributions;
 - K. Pursue innovative approaches to the cost-effective acquisition of energy efficiency resources;
 - L. Make continuous and proportional progress toward attaining the overall state building efficiency goals established by 10 V.S.A. § 581, by promoting all forms of energy end-use efficiency and comprehensive sustainable building design;
 - M. Design and implement programs that are extendable and scalable in future years to achieve § 581 goals;
 - N. Coordinate the services and initiatives established under this Appointment with those of similar programs so as to maximize administrative efficiency and the benefits provided to Vermonters; and
 - O. Provide information and education that will empower consumers to manage their energy use.
2. VEIC shall, with respect to the provision of demand-side initiatives and strategies that affect electricity use:
 - A. Serve customers of [Vermont Utilities](#) who pay an [Energy Efficiency Charge](#) (EEC), except for those customers within the service territory of Burlington Electric Department;
 - B. Be responsible for the development of comprehensive approaches to acquiring all reasonably available, cost-effective demand-side resources to reduce customer electricity requirements, as contemplated under 30 V.S.A. § 209(d) and (e), and 218c, including:
 - (a) Reducing electric system and generation capacity requirements through peak load reduction and management in targeted areas;
 - (b) Participating in electric system planning and cooperating with the Department of Public Service ("DPS" or "Department") and Vermont Utilities in the provision of

- least-cost service under 30 V.S.A. § 218c; and
- (c) Delivery of the [Comprehensive Energy Efficiency Programs](#) required pursuant to 30 V.S.A. § 218c;
- C. Not be responsible for the design or development of Advanced Metering Infrastructure ("AMI")-enabled Dynamic Pricing, rate designs and Demand Response programs that are or may be offered by Vermont Utilities to impact consumer electricity use. With respect to the electric [distribution utility](#) AMI-enabled Dynamic Pricing, rate designs, and Demand Response programs, EEU services should be developed to complement the utility activities, in collaboration with the electric [distribution utilities](#);
- D. Develop and support policy instruments that can serve as useful tools for electricity savings through voluntary action or government adoption;
- E. Pursue flexible and robust strategies to cost-effectively avoid or control capacity and energy in support of electric distribution utility [Integrated Resource Planning](#);
- F. Plan and implement demand-side resource acquisition activities both at the system-wide (statewide) level and, to the extent directed by the Board, sub-levels defined by the electric transmission and distribution system in coordination with the Vermont Utilities ("geographically targeted" energy efficiency services or "geotargeting"); and
- G. Strive to ensure that the benefits of system-wide services, initiatives and other activities, exclusive of Geographically Targeted demand-side resource-acquisition initiatives approved by the Board, generally reflect the level of contribution to EEU costs by ratepayers, as reflected in EEC payments, by customer class and geographic region of the State, unless otherwise determined by the Board.
- 3.
4. With respect to the provision of demand-side services and initiatives that affect the use of Heating-and-Process Fuels:
- A. VEIC shall serve customers within the geographic borders of Vermont, except those who are customers of Burlington Electric Department;
- B. The magnitude of such services is acknowledged to be a function of the amount of financial resources made available by statute or by the Board for this purpose;
- C. VEIC shall, to the fullest extent possible, build upon and integrate the implementation of efficiency efforts that address Heating-and-Process Fuels with existing and/or future initiatives, services, and infrastructure that are implemented to address electrical energy efficiency; and
- D. VEIC shall allocate resources specifically designated for Heating-and-Process-Fuel efficiency services and initiatives between the business sector and the residential sector based on the approximate portion of Heating-and-Process-Fuel consumption, as measured by mmBtu or gallons, in each sector.
5. VEIC shall, in delivery of services under this Appointment, use the name "Efficiency Vermont," unless otherwise directed by the Board. VEIC shall:
- A. Use this name on all EEU marketing materials;
- B. Only use this name when providing EEU services and making public representations on

- behalf of the EEU;
- C. Be allowed to use and allow the use of the name(s) or logo(s) of subcontractor(s)' firm(s), or their affiliate(s)' firms on EEU marketing materials or other EEU documents provided to Vermont ratepayers or [market actors](#) for educational purposes or for descriptions of services being provided pursuant to an Order of Appointment. Any non-EEU name(s) and logo(s) must refer to the EEU as the sponsoring organization of the services being described and the EEU name and logo must be prominently displayed;
 - D. Be permitted to state on EEU marketing materials or other EEU documents provided to Vermont ratepayers or market actors that the EEU is operated by VEIC under an Order of Appointment, however VEIC's name shall not be prominently displayed;
 - E. Be allowed to use variations of the EEU name for specific circumstances with permission from the Department; and
 - F. Be responsible for: (1) registering the EEU's name with the Secretary of State pursuant to 10 V.S.A. §1621; and (2) maintaining the registration of the EEU's name.
6. In providing EEU services, VEIC shall not use its own employees to provide any design or engineering services or certifications that are required to be provided by licensed professional architects and engineers.
- 7.
8. VEIC shall balance the pursuit of short- and long-term resource acquisition that may be achieved through market transformation strategies, as reflected in the definition and weighting of performance indicators.
9. VEIC shall ensure that it has sufficient planning and implementation capabilities to provide support for electric utility [Distributed Utility Planning](#) ("DUP") and transmission planning processes. To the extent required in the application of DUP and transmission-planning principles to solve target area [Supply Problems](#) and [Reliability Deficiencies](#), VEIC shall:
- A. Maintain or arrange for such end-use forecasting capability as is necessary in connection with demand-side management planning or as may be approved by the Board;
 - B. Utilize such avoided costs as are approved by the Board or in accordance with study requirements established for DUP and transmission planning utilizing the processes developed in Docket Nos. 6290 and 7081. In this context, the affected distribution utilities shall remain responsible for assessing the reasonableness of the avoided costs being utilized in any specific target area study of a Supply Problem or Reliability Deficiency;
 - C. Participate in the [Vermont System Planning Committee](#) (VSPC) created under Docket No. 7081 and other appropriate utility planning committees. As part of participation in the VSPC, VEIC shall:
 - (a) Appoint a primary representative to the VSPC and an alternate who may represent an EEU fully in the absence of the primary representative;
 - (b) Attend and participate in meetings of the VSPC;
 - (c) At the request of the VSPC, participate in subcommittees (including but not

- necessarily limited to the Energy Efficiency & Forecasting Subcommittee) in order to assist the VSPC in fulfilling its subcommittee charter; and
- (d) Maintain a link to the VSPC website on its website;
- D. Cooperate with the electric and gas distribution utilities and VELCO in the provision of integrated utility service subject to the jurisdiction of the Board under 30 V.S.A. §§ 209 and 218c; and
- E. Undertake resource potential studies, statewide and/or pertaining to a limited geographic area, and estimate pace and cost pursuant to which that potential can be acquired. In the performance of any such services, VEIC shall develop its estimates with an appropriate degree of certainty and in a manner suitable for use in connection with Vermont Utility planning including distributed utility Integrated Resource Planning and the [Demand Resources Plan](#) ("DRP") Proceeding as appropriate.
- 10.
11. VEIC shall participate in the ISO-New England [Forward Capacity Market](#) ("FCM") as appropriate to secure benefits for Vermont, such as any FCM capacity payments that may be available from VEIC-implemented demand-side resource measures, including those that may accrue to VEIC through EEC-funded self-administered efficiency programs. VEIC shall also participate in any proceedings for the modification or further development of the market itself, and shall support the State of Vermont's efforts to secure resource parity for demand resources in regional electricity markets. The financial risks of participating in the FCM shall be shared as follows:
- A. All extraordinary costs billed to VEIC by ISO-NE, and paid by VEIC, that are not due to VEIC's non-performance shall be considered eligible costs under Section III of this Appointment. One example of such an eligible cost is ISO-NE participant "default allocation" invoices;
- B. One-half of any penalties paid by VEIC as a result of VEIC not achieving the FCM capacity requirements for each of the FCM bids shall be considered eligible costs under Section III of this Appointment;
- C. One-half of the cost of any bilateral contracts for capacity to mitigate financial penalties in the event VEIC does not achieve any FCM capacity requirements for each of the FCM bids that fall within the performance period shall be considered eligible costs under Section III of this Appointment; and
- D. Any penalties paid by VEIC if FCM capacity requirements are not met as a result of a Board-ordered reduction in EEU funds shall be considered eligible costs under Section III of this Appointment.
12. VEIC shall provide technical support and training regarding the development and implementation of state energy codes and standards. VEIC may provide technical support and training regarding any local or other energy ordinances, codes, or standards. Any support activities that are paid by EEC Funds shall be coordinated with the Department. The anticipated support may include, but is not limited to:
- 13.
- A. Direct technical assistance, including a telephone "hot line";
- B. Development, production and delivery of educational materials;

- C. Development and delivery of workshops and professional training; and
 - D. Technical support for the development of or amendments to energy codes and standards.
14. VEIC may provide assistance to customers regarding energy requirements of [Act 250](#) to the extent that VEIC deems such assistance will support EEU demand-side resource-acquisition goals.
15. VEIC may, as part of comprehensive treatment of customers, include certain cost-effective combined-heat-and-power systems as an eligible demand-side resource option. VEIC shall follow the guidelines specifying eligible criteria, applications and economic screening procedures for EEU treatment of combined-heat-and-power systems that are provided as Appendix B to this Order of Appointment, as may be amended by the Board from time to time.
16. VEIC may, as part of comprehensive treatment of customers, include demand response as an eligible demand-side resource option. The guidelines specifying eligible demand-response applications and economic screening procedures for VEIC treatment of demand response are provided as Appendix C to this Order of Appointment, as may be amended by the Board from time to time.
17. VEIC may, as part of comprehensive treatment of customers, consider both electro- and non-electro-technologies when assessing the cost-effectiveness of consumer end uses and potential efficiency measures. VEIC shall collaborate with the Department to review, refine, and modify appropriate cost and energy savings allocation methodologies for electro-technology measures and services, and shall inform the Board of these methodologies.
18. VEIC may conduct during the transition period, and propose as part of a Demand Resources Plan Proceeding:
- A. A reasonable level of applied research, development and demonstration if it finds that such actions are likely to lead to cost-effective solutions to meeting EEU long-term resource-acquisition goals and are necessary to advance the goals of sound product and program design over time. These activities shall be included and separately identified in VEIC's Annual Plans and Reports;
 - B. The development and implementation of training and workforce development initiatives as appropriate, consistent with long-term EEU goals and objectives, including cooperative activities with Vermont educational institutions, vocational training, and continuing education; and/or
 - C. The development and/or support of energy education initiatives in Vermont schools, colleges and universities.
19. VEIC shall implement marketing at a level it deems appropriate to:

- A. Promote customer participation in and market awareness of EEU services and initiatives;
- B. Increase consumer demand for energy-saving products and services; and
- C. Affect consumer decision-making in consumer-driven energy efficiency choices.

At a minimum, VEIC shall provide:

- A. A toll-free number as further described in 30 V.S.A. § 209(d)(3);
 - B. A web page describing services available to customers; and
 - C. Effective customer response and referral procedures.
2. VEIC shall provide general information to the public as part of a strategy to;
 - A. Increase consumer awareness and understanding of the benefits of reducing energy use;
 - B. Inform consumers of the best technologies available to them; and
 - C. Refer consumers to information and service resources other than the EEU.
 3. VEIC shall be responsible for assisting the Board and/or the DPS in developing and implementing any Self-Administered or Managed Energy Efficiency Programs. Assistance may include reviewing projects under such programs for cost-effectiveness under the societal test and for fulfilling any other related responsibilities as directed by the Board.

SECTION III: COMPENSATION

1. The structure of VEIC's compensation for the provision of services and initiatives under this Order of Appointment shall be comprised of:
 - A. Reimbursement of actual incurred costs (direct labor and expenses, and allocation of [Eligible Indirect Costs](#)) for both Resource Acquisition ("RA") and Non-Resource Acquisition ("NRA") activities;
 - B. Performance compensation, to be paid based on the attainment of Quantifiable Performance Indicators ("QPIs") that are established as part of the DRP process, from funds collected via the EEC, or other sources under the jurisdiction of the Board and withheld from the budget for this purpose; and
 - C. Operations Fees that may be charged as a percentage of all or a portion of reimbursed costs, on both RA and NRA activities. Fees may vary.
2. VEIC costs that are to be treated as NRA costs (including expenses incurred by VEIC for efforts to seek alternative funding) shall be identified, with specific corresponding budgets for each activity, as part of the [DRP process](#).

For the Transition Period (through December 31, 2011), a phase-in of identification, budgeting and accounting for NRA costs shall be as set forth in the Transition Period Plan in Appendix A.

3. The DRP proceeding shall be used to set the following elements of VEIC's compensation:
 - A. QPIs, including types, definitions, quantifiable goals, corresponding incentive amounts attached to each (reflecting weighting) and any scaling calculations;
 - B. Financial consequences for underperformance relative to QPIs; and
 - C. Rates for any Operations fees for both RA and NRA activities.

For the Transition Period (through December 31, 2011) these values shall be as set forth in the Transition Period Plan in Attachment A.

4. Compensation to VEIC from funding sources under the Board's jurisdiction shall be limited over each performance period by the total budget adopted for VEIC compensation in the DRP process ("[Allowable VEIC EEU Funds](#)"). VEIC shall not exceed three-year spending limits as defined in the DRP for RA or NRA activities, or for any other categories that may be designated by the Board (such as individual eligible NRA budget categories) without approval from the Board, unless funds are transferred that do not require Board approval as provided in Section III.7.
5. Categories of allowable expenses upon which an operations fee or margin may be applied include:
 - A. Direct wages and salaries;
 - B. Indirect and fringe benefit costs;
 - C. Subcontractors;
 - D. Direct expenses;
 - E. Financial incentives; and
 - F. Costs for using and maintaining a line of credit.
6. General Costs and Expenses - VEIC shall be compensated for reasonable and appropriate services provided and expenses incurred in order to perform the responsibilities of an EEU.
7. VEIC must notify the Board and DPS of any transfer of funds among eligible NRA budget categories. VEIC must request approval from the Board to transfer funds among eligible NRA budget categories, unless (1) the amount of the transfer is less than \$10,000, or (2) the amount transferred is less than 50% of the amount allocated to the category from which it is transferred and less than \$50,000. Nothing in this provision prevents any party from requesting that the Board examine such transfers. The Board may approve transfers after

such process as the Board may require. This provision shall not apply during the Transition Period.

8. VEIC may transfer funds between RA and eligible NRA budget categories with the Board's approval. Transfer from RA to NRA budget categories shall not result in reduction of QPI. This provision shall not apply during the Transition Period.
9. VEIC shall forward gross revenues associated with regional capacity market activities performed under Section II.8 of this Appointment to the [Fiscal Agent](#) within 10 days of receipt of such payment. VEIC shall include any fees deducted by ISO-NE as an expense on its invoices.
10. In order to establish and validate VEIC's claims with respect to QPIs, the following documentation and verification process shall be employed:
 - A. By April 1 of each year, VEIC shall submit a report to the Board and the DPS that establishes its claim regarding its QPIs (e.g., MWh, Total Resource Benefits ("TRB"), MMBtu, and other Board-approved QPIs) for the previous year for those QPIs which can be measured for that year (some market transformation QPIs may only be able to be measured over a multi-year period). The DPS may assess savings estimates for custom measures, comprehensive projects, or key input assumptions. The DPS and VEIC shall attempt to resolve any disputes;
 - B. By July 1 of each year, the DPS will provide a recommendation to the Board regarding annual results relative to VEIC's QPI claims for the previous year. This recommendation may be made in concert with the requirements of the DPS in Sections II.2.E and F of the "Process and Administration of an Order of Appointment".
 - C. By July 15 of each year, VEIC or other interested parties may offer comments on the Department's recommendation to the Board;
 - D. By August 1 of each year, the Board will make a determination regarding the final quantifiable savings (e.g., MWh, TRB, MMBtu, and other Board approved QPIs) results for the preceding year, and any other QPI that concluded in the previous year; and
 - E. By August 1, 2012, and every three years thereafter, the Board will make a final determination regarding VEIC achievement with respect to QPIs for the recently completed performance period, and make a determination regarding any associated Performance Awards to be provided to VEIC.
11. If VEIC is unable to borrow from its financial institution due to circumstances beyond its control (i.e., not related to VEIC's financial standing or status with respect to its Order of Appointment), then the Board may allow VEIC to borrow funds from those held by the Fiscal Agent in order to pay its bills associated with delivering EEU services. In such instances:

- A. VEIC must notify the Board of the amount requested and the date the funds are needed, and provide sufficient detail to support the request, including documentation of VEIC's inability to borrow from its lending institution;
 - B. VEIC shall make a good-faith effort to secure borrowing capability from another financial institution;
 - C. Loan requests shall clearly identify loan amounts for each service to be provided. Funds may only be used to meet VEIC's financial obligations due to its implementation of the EEU;
 - D. The Board shall not unreasonably withhold approval of a loan request made by VEIC under these circumstances;
 - E. Loans to VEIC shall be shown as a credit on VEIC's monthly invoice; and
 - F. No interest would be due from VEIC to the EEU Fund as a result of this loan activity.
12. The State may set off any sums that VEIC owes the State against any sums due VEIC under this Appointment; provided, however, that any set-off of amounts due the State as taxes shall be in accordance with the procedures more specifically provided hereinafter.
13. Final payment under this Appointment may be withheld if the Vermont Commissioner of Taxes determines that VEIC is not in good standing with respect to, or in full compliance with a plan to pay, any and all taxes due to the State.
14. The State may set off taxes (and related penalties, interest and fees) due to the State, but only if VEIC has failed to make an appeal within the time allowed by law, or an appeal has been taken and finally determined and VEIC has no further legal recourse to contest the amounts due.

SECTION IV: DEFINITIONS

1. **Act 250** means Public Act No. 250 (1970 VT., Adj. Sess.).
2. **Allowable VEIC EEU Funds** means the total amount of EEU EEC Funds and any other funds under the jurisdiction of the Board that have been allocated for the purposes specified in VEIC's Order of Appointment. Allowable VEIC EEU Funds for a calendar year are comprised of the total EEC Funds approved for collection (not including any true-up from over/under collections of the EEC from prior years and any payments to electric distribution utilities for EEC uncollectibles) by the Fiscal Agent for that calendar year, plus any approved carryover of VEIC's unspent EEC Funds from prior calendar years, plus any other funds available under the Board's jurisdiction for EEU implementation such as funds for the acquisition of Heating-and-Process-Fuels resources, less the following deductions:
- A. DPS EEU monitoring and evaluation costs;
 - B. Fiscal Agent fees;

- C. Fiscal Agent audit fees;
 - D. Customer Credit Available Incentive Funds;
 - E. Independent Triennial Audit of the EEU;
 - F. EEC Rate Charge Advertising;
 - G. EEU Funds allocated for the purpose of EEU Order of Appointments other than VEIC; and
 - H. Any other costs the Board determines are required in order to effectively administer, monitor or evaluate an EEU.
3. **Comprehensive Energy Efficiency Programs** means a coordinated set of activities carried out by a regulated electric or gas utility or other entity as appointed by the Board pursuant to 30 V.S.A. § 209(d) to meet the public's need for energy services through efficiency, conservation or load management in all customer classes and areas of opportunity which is designed to acquire the full amount of cost-effective savings from such investments or programs as contemplated under 30 V.S.A. § 218c(a)(2).
4. **Demand Resources Plan** or **DRP** is a set of year-by-year values for statewide demand-side electricity resource-acquisition savings goals, as well as resource-acquisition and non-resource-acquisition budgets by calendar year for a twenty-year period, as well as a set of year-by-year values for savings of and budgets for Heating-and-Process Fuels by calendar year for a 10-year period. The plan is created through a Board proceeding every three years and may be modified as needed by the Board.
5. **Demand Resources Plan Proceeding or Process** means the process conducted by the Board that will, at a minimum, result in the Demand Resources Plan, EEU QPIs, identification of geographic areas to be targeted by energy efficiency (if any), identification of budgets and activities for non-resource acquisition activities, identification of services related to advanced metering infrastructure, and determination of efficiency evaluation budgets.
6. **Distribution Utilities** or **DUs** means utilities providing retail electric service to Vermont customers in Vermont under the supervision of the Board.
7. **Distributed Utility Planning** or **DUP** is undertaken by electric distribution utilities in accordance with the requirements established in Docket No. 6290, as amended. Transmission planning is to be undertaken in accordance with the process established in Docket No. 7081. In the context of DUP, the distribution utility remains responsible for making resource selection decisions that will enable it to satisfy its duty to serve. Docket No. 7081 establishes a process for constructively influencing utility resource decisions affecting the transmission systems while respecting the affected utilities' role in making the resource selection. The assignment of responsibilities to an EEU contemplated hereunder is not intended to alter the utilities' overarching planning responsibilities or lessen the degree of care to be exercised in pursuit thereof.

- 8. Eligible Indirect Costs** shall be those defined in the guidelines established by the Federal Government for Federal cost reimbursable grants. These guidelines shall serve as the basis for determining whether or not a particular direct or indirect cost item incurred under this Appointment is reasonable and appropriate. Such Federal guidelines are contained in the federal Office of Management and Budget Circular A-122 dated May 10, 2004, as may be superseded.
- 9. Energy Efficiency Charge or EEC** means the volumetric charge to Vermont electric distribution utility customers for the support of energy efficiency programs pursuant to 30 V.S.A. § 209(d)(3).
- 10. Fiscal Agent** means the person or entity selected and retained by the Board to receive the EEC Funds from electric Distribution Utilities and other funds as authorized by the Board and to disburse those funds pursuant to 30 V.S.A. § 209 (d)(3).
- 11. Heating-and-Process Fuels** includes "unregulated" fuels (generally, fuel oil, propane, kerosene, biomass), and may include regulated fuels such as natural gas, if directed by the Board.
- 12. Integrated Resource Planning or IRP** means planning undertaken by electric Distribution Utilities to meet the public's need for energy services, after safety concerns are addressed, at the lowest present-value life-cycle cost, including environmental and economic costs, through a strategy combining investments and expenditures on energy supply, transmission and distribution capacity, transmission and distribution efficiency, and comprehensive energy efficiency programs. Economic costs are to be determined with due regard to: (A) the greenhouse gas inventory developed under the provisions of 10 V.S.A. § 582; (B) the state's progress in meeting its greenhouse gas reduction goals; and (C) the value of the financial risks associated with greenhouse gas emissions from various power sources.
- 13. ISO-New England Forward Capacity Market or FCM** is a capacity market operated by the Independent System Operator for New-England where demand resources, such as energy efficiency, may be bid on a comparable basis with supply resources such as generation.
- 14. Market Actor** means a person, business or organization that affects the market availability and implementation of energy efficient technologies, products, practices, and designs, including, but not limited to, design professionals, contractors, retailers, suppliers, manufacturers, associations and institutions.
- 15. Reliability Deficiency** means an existing or forecasted violation, pre- or post-contingency, of applicable bulk transmission system or subsystem design or operating criteria, with consideration given to the reliability and availability of individual system elements. *See* Docket No. 7081.

16. Supply Problem refers to a distribution supply or reliability problem that is to be resolved through the application of the Distributed Utility Planning Guidelines developed in Docket No. 6290.

17. Vermont System Planning Committee or VSPC is a group created by the Board in order to facilitate full, fair and timely consideration of cost-effective non-transmission alternatives to new transmission projects.

18. Vermont Utilities includes VELCO and Vermont's electric distribution utilities.

Dated at Montpelier, Vermont, this _____ day of _____, 2010.

_____)	
)	PUBLIC SERVICE
)	
_____)	BOARD
)	
)	OF VERMONT
_____)	

OFFICE OF THE CLERK

FILED:

ATTEST: _____
Clerk of the Board

NOTICE TO READERS: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Board (by e-mail, telephone, or in writing) of any apparent errors, in order that any necessary corrections may be made. (E-mail address: psb.clerk@state.vt.us)

APPENDIX A: TRANSITION PERIOD PLAN

Unless otherwise noted, provisions of this section shall apply from the effective date of Order of Appointment through December 31, 2011 (the "Transition Period"). During this period, all provisions of the Order of Appointment and the Process and Administration of an Energy Efficiency Utility Order of Appointment shall apply except where they are specifically superseded by this Transition Period Plan.

TRANSITION PERIOD GENERAL PROVISIONS

19. During the Transition Period, VEIC's budgets, minimum performance requirements, quantifiable performance indicators, potential performance award, and operations fees shall reflect the budgets, minimum performance requirements, quantifiable performance indicators, potential performance award, and operations fees in effect under the contract between the Board and VEIC at the time of Appointment. This Appendix and Attachments to this Appendix describe these terms and conditions in detail. At the time of Appointment, any pending contract changes to budgets, minimum performance requirements, and quantifiable performance indicators that have been agreed to by the Board and VEIC shall be adopted for the Transition Period.
20. VEIC's budgets, goals and quantifiable performance indicators for the Transition Period shall be stated in terms of VEIC's cumulative results beginning January 1, 2009.
21. During the Transition Period, VEIC may extend the scope of EEU services beyond the scope included in the Board's contract with VEIC for the 2009-2011 period, but only to the extent they are able to do so with currently available resources.

SPECIAL FEES DURING THE TRANSITION PERIOD

22. During the Transition Period, an Operations Fee of 2.0% will apply to total eligible monthly costs and expenses incurred and funded by VEIC Heating-and-Process-Fuel Funds.
23. During the Transition Period, an Operations Fee of 0.75% will apply to all total eligible monthly costs and expenses incurred and funded by VEIC Electric EEU Funds, except for expenses on customer-side smart-grid activities carried out by VEIC using funds approved by the Board for this specific purpose in its May 27, 2010, memorandum.
24. A 2.5% operations fee will apply to customer-side smart-grid activities carried out by VEIC using funds approved by the Board for this specific purpose in its May 27, 2010, memorandum. The amount of this fee applies only to the Transition Period, after which the amount of the fee shall be set in the Demand Resources Plan. The fee set in this provision is not precedential.

25. The fees to be applied to any additional NRA activities conducted by VEIC during the Transition Period shall be determined on a case-by-case basis.

SPECIFIC TRANSITION PERIOD BUDGET, PAYMENT, AND PERFORMANCE PROVISIONS

26. "Attachment A" to this Appendix A of this Order of Appointment describes certain specific provisions related to compensation, including calculation of performance incentives and minimum performance requirements, that shall apply for the Transition Period except as may be modified by the Board pursuant to Provision 1 of this Appendix.
27. Tables A-1 through A-11 relate to Attachment A to this Appendix A of this Order of Appointment.
28. "Attachments B-C-D-E-F" to this Appendix A of this Order of Appointment detail the calculation of total cap; estimated EEU funds; estimated electric EEU funds; estimated heating-and-process-fuel efficiency funds; and the 2009-2011 budget, respectively, that shall apply during the Transition Period, except as may be modified by the Board pursuant to Provision 1 of this Appendix.
29. "Attachment G" to this Appendix A of this Order of Appointment provides definitions as they relate solely to the Transition Period Plan and Attachments A-F.
30. The total compensation amount for all eligible costs, expenses and performance incentives paid to VEIC by the EEU Fund Fiscal Agent under this Appointment may not exceed the amount that would cause total payments to VEIC for work performed from January 1, 2009, through December 31, 2011, including all payments made under VEIC's Efficiency Vermont contract with the Board during this period, to exceed \$105,140,904, unless otherwise approved by the Board.
31. For the Transition Period it is agreed that VEIC will continue to manage the budget for this Appointment as a single, three-year budget for the period of 2009-2011.
32. As part of the transition process, VEIC shall begin budgeting, accounting, tracking, and reporting separately for RA and NRA activities in parallel to its approved system. For the Transition Period, this shall be comprised of re-categorization of costs within VEIC's existing budget for 2011, subject to reasonable limitations of accounting systems. These changes in budgeting and billing shall not result in an overall change in the budget, including fees and performance incentives. Work associated with customer-side smart-grid activities carried out by VEIC using funds approved by the Board for this specific purpose in its May 27, 2010, memorandum of this Transition Period Plan shall be clearly reported and tracked, and invoiced with the operations fee specified.

For the Transition Period, VEIC shall maintain accounting that segregates the following budget categories:

- A. Resource Acquisition Services and Initiatives Supported by Electric EEU Funds (listing business and residential separately);
 - B. Resource Acquisition Services and Initiatives supported by Heating-and-Process-Fuel Funds (listing business and residential separately);
 - C. Services and Initiatives for Non-Resource Acquisition;
 - D. General Administrative costs;
 - E. Costs and revenues associated with participation in the ISO-NE Forward Capacity Market;
 - F. Costs associated with the Efficiency Vermont Information Technology System;
 - G. Costs associated with Smart Grid activities carried out with Efficiency Vermont 2008 carryover funds as described in section 4, above; and
 - H. Costs and revenues associated with any grants or other leveraged funds to carry out work within the scope of an EEU.
33. Limitation on Recovery of General Administrative Costs — General Administrative Costs shall include the following tasks: budgeting and financial management; contract management; data collection and reporting; and support for resource planning and program evaluation activities and VSPC participation. Administrative costs associated with serving an individual core market shall be included in the budget allocation for that core market and are not considered General Administrative Costs for the purposes of this paragraph. The total compensation amount for such General Administration Costs paid to VEIC by the EEU Fund Fiscal Agent under this Appointment may not exceed the amount that would cause total payments to VEIC from January 1, 2009, through December 31, 2011, including all payments made under VEIC's Efficiency Vermont contract with the Board during this period, to exceed \$944,240, unless VEIC is granted prior written approval from the Board to exceed this limit.
34. Limitation on Recovery of Information Technology Costs — The total compensation amount for Information Technology Costs paid to VEIC by the EEU Fund Fiscal Agent under this Appointment may not exceed the amount that would cause total payments to VEIC from January 1, 2009, through December 31, 2011, including all payments made under VEIC's Efficiency Vermont contract with the Board during this period, to exceed \$2,752,640, unless VEIC is granted prior written approval from the Board to exceed this limit.

ATTACHMENT A TO TRANSITION PERIOD PLAN:
TRANSITION PERIOD PERFORMANCE MECHANISM
VEIC ORDER OF APPOINTMENT

OVERVIEW

1. A portion of payments to VEIC shall be based on VEIC's performance in achieving the *Board's* objectives and successfully delivering the strategies and initiatives that are specified in the Order of Appointment. The performance incentive mechanism is designed to reward superior performance by VEIC in the overall administration and delivery of energy efficiency services that achieve specific resource acquisition outcomes and market transformation goals.
2. The Performance mechanism as agreed to in the contract between the Board and VEIC that is superseded by the Order of Appointment shall remain unchanged during the Transition Period, except as otherwise noted in Provision 1 of Appendix A to the VEIC Order of Appointment.
3. For the period January 1, 2009, through December 31, 2011, VEIC can earn up to \$2,180,000 in *Electric QPI Awards* for meeting the *100% Target Level* for performance indicators supported by *VEIC EEU Electric Funds*. Table A-1 shows the amount of these funds, performance indicators and the dollar amount allocated to each indicator, if VEIC achieves each indicator's *100% Target Level*. All targets and incentives include the period of 2009-2011 when VEIC was carrying out the Efficiency Vermont ("EVT") contract as a contractor to the Board.
4. For the same period, VEIC can earn additional *Electric QPI Awards* if VEIC exceeds the *100% Target Level* for each of the *VEIC EEU Electric Funds* performance indicators as identified in Tables A-1 and A-3. The maximum amount of *Electric QPI Awards* that VEIC can earn for performance indicators supported by *VEIC EEU Electric Funds* for the period January 1, 2009, through December 31, 2011, is \$2,532,000.
5. VEIC can also earn a *Heating-and-Process-Fuel QPI Award* of up to \$165,000 for performance indicators supported by *VEIC Heating-and-Process-Fuel Funds*. Table A-9 shows the amount of these funds, performance indicators and the dollar amount allocated to each indicator, if VEIC achieves each indicator's *100% Target Level*. All targets and incentives include the period of 2009-2011 when VEIC was carrying out the EVT contract as a contractor to the Board."
6. The maximum amount of Performance Awards that VEIC can earn for all performance indicators for the period January 1, 2009, through December 31, 2011, is \$2,697,000.

7. The schedule and processes for documenting and verifying achievement of performance indicators is outlined in Section III.10 of this Order of Appointment for VEIC and Section II.2 of the "Process and Administration of an Order of Appointment." VEIC shall submit claims for Performance Awards. The *DPS* will verify VEIC's claims and make recommendations regarding all Performance Awards to the *Board*. Prior to making its recommendation, the *DPS* shall work with VEIC to attempt resolution of any issues that may lead to adjustments to VEIC's claims. If any issues remain unresolved, VEIC shall submit to the *Board* its recommendations and supporting documentation.
8. Payment of any earned Performance Awards for the period January 1, 2009, through December 31, 2011 (up to a maximum of \$2,697,000) shall be made by July 1, 2012.
9. The performance incentive mechanism for *VEIC EEU Electric Funds* is subject to a set of five minimum performance requirements, which are summarized in Tables A-4 and A-5. The final amount of Performance Awards granted to VEIC will be subject to achievement of these minimum performance requirements and will be adjusted in accordance with Paragraph 11 in the section describing "MINIMUM PERFORMANCE REQUIREMENTS" should VEIC fail to meet any of the minimum performance requirements.
10. The performance incentive mechanism for *VEIC Heating-and-Process-Fuel Funds* is subject to a set of two minimum performance requirements, which are summarized in Table A-11. The final amount of Performance Awards granted to VEIC will be subject to achievement of these minimum performance requirements and will be adjusted in accordance with Paragraph 13 in the section describing "MINIMUM PERFORMANCE REQUIREMENTS" should VEIC fail to meet any of the minimum performance requirements.

DESCRIPTION OF PERFORMANCE INDICATORS

VEIC is eligible to earn an incentive for superior performance in certain specified areas. This section provides a more detailed description of individual performance indicators, their weights as a percentage of the total *Electric QPI Award* or the *Heating-and-Process-Fuel QPI Award* at the *100% Target Level*, their individual *100% Target Levels*, their minimum thresholds, and the scaling between their thresholds and their *100% Target Levels*. The threshold and scaling for each indicator supported by *VEIC EEU Electric Funds* are summarized in Table A-2.

1. Cumulative Annual Electricity Savings
 - A. Weighting. The overall weight for this performance indicator is 33% of VEIC's total maximum *Electric QPI Award* at the *100% Target Level* ($\$2,180,000 * 0.33 = \$719,400$).
 - B. *100% Target Level*.
 - (a) For the period January 1, 2009, through December 31, 2011, the *100% Target Level* for this indicator (also known as the Electricity Savings Target) is 359,700 MWh (at

generation and net of free riders).¹ The Electricity Savings Target measures the sum of annualized first-year savings achieved by implementation of all *EEU* strategies and initiatives that are funded by *VEIC EEU Electric Funds*, except for the Customer Credit initiative, during the period January 1, 2009, through December 31, 2011.

- (b) During the transition period the Electricity Savings Target may be adjusted to reflect changes in *VEIC EEU Electric Funds* that might occur, consistent with the limitation set forth in Paragraph 10 of the Transition Period Plan (Appendix A). Specifically, the Electricity Savings Target may be increased (or decreased) consistent with the process described in section I.2.C of the Process and Administration document.

C. Threshold and Scaling Up to *100% Target Level*.

- (a) VEIC shall be eligible to receive a Performance Award for this indicator only if the *Board* determines that VEIC successfully achieves and documents Electricity Savings above a specified threshold. The threshold is set at 80% of the Electricity Savings Target or 287,760 MWh.
- (b) If VEIC achieves 80% of its Electricity Savings Target, it can earn \$359,700 (50% of the amount it would earn if it achieved 100% of its Electricity Savings Target). The Performance Award shall be scaled linearly between 80% and 100% of the actual Electricity Savings as detailed in the Section **DESCRIPTION OF PERFORMANCE INDICATORS** Paragraph 1.D.

D. Performance Award Up to *100% Target Level*. VEIC's Performance Award shall be:

- (a) \$0 if verified cumulative annual Electricity Savings are less than 287,760 MWh.
- (b) \$359,700 for achieving 287,760 MWh (80% of the *100% Target Level*) plus \$4.996 per MWh for verified cumulative annual Electricity Savings between 287,760 MWh and 359,700 MWh.

2. Total Resource Benefits (TRB)

- A. This incentive is designed to encourage VEIC to maximize energy-related and other resource benefits in implementing energy-efficiency measures and projects during their economic lifetime.

¹ Results from services implemented by BED shall not be counted towards VEIC's performance for the purposes of determining any Performance Awards under this Appointment. In addition, results from activities implemented by VEIC in which VEIC has contracted directly with a Distribution Utility to provide electric efficiency services shall not be counted towards VEIC's performance for the purposes of determining any Performance Awards. Any results from activities implemented with funds from other sources (e.g., grants, Vermont Gas Systems), except for savings from activities implemented with funds from Vermont electric utilities in which VEIC has contracted directly with a Distribution Utility to provide electric efficiency services, shall be counted toward VEIC's performance for the purposes of determining Performance Awards.

- B. Weighting. The overall weight for this performance indicator is 25% of VEIC's total maximum *Electric QPI Award* at the *100% Target Level* (\$2,180,000 * 0.25 = \$545,000).
- C. *100% Target Level*.
 - (a) For the period January 1, 2009, through December 31, 2011, the *100% Target Level* for this indicator (also known as the Total Resource Benefits ("TRB") Target) is \$313,467,000 (in year-2009 dollars). The TRB Target measures the cumulative TRB achieved by implementation of all *EEU* services and initiatives that are funded by *VEIC Electric EEU Funds* except the Customer Credit initiative. The TRB for any given service is defined as the present value (in year-2009 dollars) of lifetime net resource savings in electricity, fossil fuel, and water, which are valued at current projections of avoided resource costs. Avoided costs do not include environmental or any other externalities (e.g., indirect economic benefits), such as the 0.7 cents/kWh value stipulated in ¶ 51 of the Docket 5980 Memorandum of Understanding.
 - (b) During the transition period the TRB Target may be adjusted to reflect changes in *VEIC EEU Electric Funds* that might occur, consistent with the limitation set forth in Paragraph 10 of the Transition Period Plan (Appendix A). Specifically, the TRB Target may be increased (or decreased) consistent with the process described in section I.2.C of "Process and Administration of an Order of Appointment".
- D. Threshold and Scaling Up to *100% Target Level*.
 - (a) VEIC shall be eligible to receive a Performance Award for this indicator only if the *Board* determines that VEIC successfully achieves and documents TRB above a specified threshold. The threshold is set at 75% of the TRB Target or \$235,100,000.
 - (b) If VEIC achieves 75% of its TRB Target, it can earn \$272,500 (50% of the amount it would earn if it achieved 100% of its TRB Target). The Performance Award shall be scaled linearly between 75% and 100% of the actual TRB, as detailed in the Section **DESCRIPTION OF PERFORMANCE INDICATORS** Paragraph 2.E.
- E. Performance Award Up to *100% Target Level*. VEIC's Performance Award shall be:
 - (a) \$0 if verified TRB are less than \$235,100,000.
 - (b) \$272,500 for achieving TRB of \$235,100,000 (75% of the *100% Target Level*) plus \$.003477 per TRB Dollar for verified TRB between \$235,100,000 and \$313,467,000.

3. Summer Peak Demand Savings

- A. This performance incentive is designed to encourage VEIC to achieve superior levels of peak summer demand savings in addition to annual energy savings and total resource benefits.
- B. Weighting. The overall weight for this performance indicator is 12% of VEIC's total maximum *Electric QPI Award* at the *100% Target Level* (\$2,180,000 * 0.12 = \$261,600).
- C. *100% Target Level*.

- (a) For the period January 1, 2009, through December 31, 2011, the *100% Target Level* for this indicator (also known as the Summer Peak Demand Savings Target) is 51,200 kW. The Summer Peak Demand Savings Target measures the cumulative annual summer peak demand savings achieved by implementation of all *EEU* services and initiatives that are funded by *VEIC Electric EEU Funds* except the Customer Credit initiative. Peak summer demand savings are reductions in Vermont's diversified electric demand (in kilowatts, kW) that coincide with the regional power market's peak load periods in the summer as defined by ISO-NE.
 - (b) During the transition period the Summer Peak Demand Savings Target may be adjusted to reflect changes in *VEIC EEU Electric Funds* that might occur, consistent with the limitation set forth in Paragraph 10 of the Transition Period Plan (Appendix A). Specifically, the Summer Peak Demand Savings Target may be increased (or decreased) consistent with the process described in section I.2.C of the "Process and Administration for an Order of Appointment".
- D. Threshold and Scaling Up to *100% Target Level*.
 - (a) VEIC shall be eligible to receive a Performance Award for this indicator only if the *Board* determines that VEIC successfully achieves and documents Summer Peak Demand Savings above a specified threshold. The threshold is set at 75% of the Summer Peak Demand Savings Target or 38,400 kW.
 - (b) If VEIC achieves 75% of its Summer Peak Demand Savings Target, it can earn \$130,800 (50% of the amount it would earn if it achieved 100% of its Summer Peak Demand Savings Target). The Performance Award shall be scaled linearly between 75% and 100% of the Summer Peak Demand Savings Target, as detailed in the Section **DESCRIPTION OF PERFORMANCE INDICATORS** Paragraph 3.E.
- E. Performance Award Up to *100% Target Level*. VEIC's Performance Award shall be:
 - (a) \$0 if verified Summer Peak Demand Savings are less than 38,400 kW.
 - (b) \$130,800 for achieving Summer Peak Demand Savings of 38,400 kW (75% of the 100% Target Level) plus \$10.219 per kW for verified cumulative annual Summer Peak Demand Savings between 38,400 kW and 51,200 kW.

4. Winter Peak Demand Savings

- A. This performance incentive is designed to encourage VEIC to achieve superior levels of peak winter demand savings in addition to annual energy savings and total resource benefits.
- B. Weighting. The overall weight for this performance indicator is 5% of VEIC's total maximum *Electric QPI Award* at the *100% Target Level* ($\$2,180,000 * 0.05 = \$109,000$).
- C. *100% Target Level*.
 - (a) For the period January 1, 2009, through December 31, 2011, the *100% Target Level* for this indicator (also known as the Winter Peak Demand Savings Target) is 54,000 kW. The Winter Peak Demand Savings Target measures the cumulative annual winter peak demand savings achieved by implementation of all *EEU* services and

initiatives that are funded by *VEIC Electric EEU Funds* except the Customer Credit initiative. Peak winter demand savings are reductions in Vermont's diversified electric demand (in kilowatts, kW) that coincide with the regional power market's peak load periods in the winter as defined by ISO-NE.

- (b) During the transition period the Winter Peak Demand Savings Target may be adjusted to reflect changes in *VEIC EEU Electric Funds* that might occur, consistent with the limitation set forth in Paragraph 10 of the Transition Period Plan (Appendix A). Specifically, the Winter Peak Demand Savings Target may be increased (or decreased) consistent with the process described in section I.2.C of the Process and Administration document.
- D. Threshold and Scaling Up to *100% Target Level*.
 - (a) VEIC shall be eligible to receive a Performance Award for this indicator only if the Board determines that VEIC successfully achieves and documents Winter Peak Demand Savings above a specified threshold. The threshold is set at 75% of the Winter Peak Demand Savings Target or 40,500 kW.
 - (b) If VEIC achieves 75% of its Winter Peak Demand Savings Target, it can earn \$54,500 (50% of the amount it would earn if it achieved 100% of its Winter Peak Demand Savings Target). The Performance Award shall be scaled linearly between 75% and 100% of the Winter Peak Demand Savings Target, as detailed in **DESCRIPTION OF PERFORMANCE INDICATORS** Paragraph 4.E.
- E. Performance Award Up to *100% Target Level*. VEIC's Performance Award shall be:
 - (a) \$0 if verified Winter Peak Demand Savings are less than 40,500 kW.
 - (b) \$54,500 for achieving Winter Peak Demand Savings of 40,500 kW (75% of the *100% Target Level*) plus \$4.037 per kW for verified cumulative annual Winter Peak Demand Savings between 40,500 kW and 54,000 kW.

5. Summer Peak Demand Savings in Certain Geographic Areas

- A. This performance incentive is designed to encourage VEIC to achieve superior levels of peak summer demand savings in portions of Chittenden County, Rutland and St. Albans City/Town as generally described by the Board in the *Geographic Targeting Order 2009-2011*.
- B. Weighting. The overall weight for this performance indicator is 13% of VEIC's total maximum *Electric QPI Award* at the *100% Target Level* ($\$2,180,000 * 0.13 = \$283,400$).
- C. *100% Target Level*.
 - (a) For the period January 1, 2009, through December 31, 2011, the *100% Target Level* for this indicator is 8,100 kW. The Summer Peak Demand Savings in Certain Geographic Areas measures the sum total of all summer peak capacity reductions in the geographic areas designated in Paragraph 5.A, above. It includes all of the cumulative annual summer peak demand savings achieved by implementation of all EEU services and initiatives that are funded by *VEIC Electric EEU Funds* within the above-referenced geographic areas except the Customer Credit initiative.

- (b) During the transition period the Summer Peak Demand Savings in Certain Geographic Areas Target may be adjusted to reflect changes in *VEIC EEU Electric Funds* that might occur, consistent with the limitation set forth in Paragraph 10 of the Transition Period Plan (Appendix A). Specifically, the Summer Peak Demand Savings in Certain Geographic Areas Target may be increased (or decreased) consistent with the process described in section I.2.C of the Process and Administration document.
- D. Threshold and Scaling Up to *100% Target Level*.
 - (a) VEIC shall be eligible to receive a Performance Award for this indicator only if the *Board* determines that VEIC successfully achieves and documents Summer Peak Demand Savings in Certain Geographic Areas above a specified threshold. The threshold is set at 75% of the Summer Peak Demand Savings in Certain Geographic Areas Target or 6,075 kW.
 - (b) If VEIC achieves 75% of its Summer Peak Demand Savings in Certain Geographic Areas Target, it can earn \$141,700 (50% of the amount it would earn if it achieved 100% of its Summer Peak Demand Savings Target). The Performance Award shall be scaled linearly between 75% and 100% of the Summer Peak Demand Savings in Certain Geographic Areas Target, as detailed in the Section **DESCRIPTION OF PERFORMANCE INDICATORS** Paragraph 5.E.
- E. Performance Award Up to *100% Target Level*. VEIC's Performance Award shall be:
 - (a) \$0 if verified Summer Peak Demand Savings in Certain Geographic Areas are less than 6,075 kW.
 - (b) \$141,700 for achieving Summer Peak Demand Savings in Certain Geographic Areas of 6,075 kW (75% of the *100% Target Level*) plus \$69.975 per kW for verified Summer Peak Demand Savings in Certain Geographic Areas between 6,075 kW and 8,100 kW.

6. Winter Peak Demand Savings in Geographic Areas

- A. This performance incentive is designed to encourage VEIC to achieve superior levels of peak winter demand savings in the Southern Loop as generally described by the Board in the *Geographic Targeting Order 2009-2011*.
- B. Weighting. The overall weight for this performance indicator is 7% of VEIC's total maximum *Electric QPI Award* at the *100% Target Level* ($\$2,180,000 * 0.07 = \$152,600$).
- C. *100% Target Level*.
 - (a) For the period January 1, 2009, through December 31, 2011, the *100% Target Level* for this indicator is 2,400 kW. The Winter Peak Demand Savings in Certain Geographic Areas measures the sum total of all winter peak capacity reductions in the geographic areas designated in Paragraph 6.A, above. It includes all of the cumulative annual winter peak demand savings achieved by implementation of all EEU services and initiatives that are funded by *VEIC Electric EEU Funds* within the above referenced-geographic areas except the Customer Credit initiative.

- (b) During the transition period the Winter Peak Demand Savings in Certain Geographic Areas Target may be adjusted to reflect changes in *VEIC EEU Electric Funds* that might occur, consistent with the limitation set forth in Paragraph 10 of the Transition Period Plan (Appendix A). Specifically, the Winter Peak Demand Savings in Certain Geographic Areas Target may be increased (or decreased) consistent with the process described in section I.2.C of the Process and Administration document.
- D. Threshold and Scaling Up to *100% Target Level*.
 - (a) VEIC shall be eligible to receive a Performance Award for this indicator only if the *Board* determines that VEIC successfully achieves and documents Winter Peak Demand Savings in Certain Geographic Areas above a specified threshold. The threshold is set at 75% of the Winter Peak Demand Savings in Certain Geographic Areas Target or 1,800 kW.
 - (b) If VEIC achieves 75% of its Winter Peak Demand Savings in Certain Geographic Areas Target, it can earn \$76,300 (50% of the amount it would earn if it achieved 100% of its Winter Peak Demand Savings Target). The Performance Award shall be scaled linearly between 75% and 100% of the Winter Peak Demand Savings in Certain Geographic Areas Target, as detailed in the Section **DESCRIPTION OF PERFORMANCE INDICATORS** Paragraph 6.E.
- E. Performance Award Up to *100% Target Level*. VEIC's Performance Award shall be:
 - (a) \$0 if verified Winter Peak Demand Savings in Certain Geographic Areas are less than 1,800 kW.
 - (b) \$76,300 for achieving Winter Peak Demand Savings in Certain Geographic Areas of 1,800 kW (75% of the *100% Target Level*) plus \$127.167 per kW for verified Winter Peak Demand Savings in Certain Geographic Areas between 1,800 kW and 2,400 kW.

7. Business End Uses

- A. This performance incentive is designed to encourage VEIC to achieve increased levels of non-lighting, non-air conditioning, non-fuel-switching and non-snowmaking measures in the Business Existing Facilities and Business New Construction markets.
- B. Weighting. The overall weight for this performance indicator is 5% of VEIC's total maximum *Electric QPI Award* at the *100% Target Level* ($\$2,180,000 * 0.05 = \$109,000$).
- C. *100% Target Level*.
 - (a) For the period January 1, 2009, through December 31, 2011, the *100% Target Level* for this indicator (also known as the Business End Uses Target) is 3,500 MWh above a three-year cumulative baseline of 41,181 MWh in the Business Existing Facilities and Business New Construction markets for all end uses except:
 - i. Lighting;
 - ii. Non-air conditioning;
 - iii. Non-fuel-switching; and
 - iv. Snow making.

- (b) During the transition period the Business End Uses Target may be adjusted to reflect changes in *VEIC EEU Electric Funds* that might occur, consistent with the limitation set forth in Paragraph 10 of the Transition Period Plan (Appendix A). Specifically, the Business End Uses Target may be increased (or decreased) consistent with the process described in section I.2.C of the Process and Administration document.
- D. Threshold and Scaling Up to *100% Target Level*.
 - (a) VEIC shall be eligible to receive a Performance Award for this indicator only if the Board determines that VEIC successfully achieves and documents Business End Uses Savings above a specified threshold. The threshold is set at 75% of the Business End Uses Target or 2,625 MWh.
 - (b) If VEIC achieves 75% of its Business End Uses Target, it can earn \$54,500 (50% of the amount it would earn if it achieved 100% of its Business End Uses Target). The Performance Award shall be scaled linearly between 75% and 100% of the actual Business End Uses savings as detailed in the Section **DESCRIPTION OF PERFORMANCE INDICATORS** Paragraph 7.E.
- E. Performance Award Up to *100% Target Level*. VEIC's Performance Award shall be:
 - (a) \$0 if verified cumulative annual Business End Uses are less than 2,625 MWh.
 - (b) \$54,500 for achieving 2,625 MWh (75% of the *100% Target Level*) plus \$62.286 per MWh for verified cumulative Business End Uses savings between 2,625 MWh and 3,500 MWh.
- 8. Million Btu (MMBtu) Heating-and-Process-Fuel Savings for Activities Funded by Heating-and-Process-Fuel Funds
 - A. This incentive is designed to encourage VEIC to maximize thermal energy (million Btu or MMBtu) savings in implementing energy-efficiency measures and projects (as detailed in Section II.3. of the VEIC Order of Appointment)
 - B. Weighting. The overall weight for this performance indicator is 75% of VEIC's total maximum *Heating-and-Process-Fuel QPI Award* at the *100% Target Level* (\$123,750).
 - C. *100% Target Level*. For the period January 1, 2009, through December 31, 2011, the *100% Target Level* for this indicator (also known as the Heating-and-Process-Fuels Savings Target) is 67,600 MMBtu.
 - D. Threshold and Scaling Up to *100% Target Level*.
 - (a) VEIC shall be eligible to receive a Performance Award for this indicator only if the Board determines that VEIC successfully achieves and documents HPF Savings above a specified threshold. The threshold is set at 80% of the Heating-and-Process-Fuels Savings Target or 54,080 MMBtu.
 - (b) If VEIC achieves 80% of its Heating-and-Process-Fuels Savings Target, it can earn \$61,875 (50% of the amount it would earn if it achieved 100% of its Heating-and-Process-Fuels Savings Target). The Performance Award shall be scaled linearly

between 80% and 100% of the actual Heating-and-Process Fuels savings as detailed in the Section **DESCRIPTION OF PERFORMANCE INDICATORS** Paragraph 8.E.

E. Performance Award Up to *100% Target Level*. VEIC's Performance Award shall be:

- (a) \$0 if verified cumulative annual savings are less than 54,080 MMBtu.
- (b) \$61,875 for achieving 54,080 MMBtu (80% of the *100% Target Level*) plus \$4.666 per MMBtu for verified cumulative Heating-and-Process Fuels savings between 54,080 MMBtu and 67,600 MMBtu.

9. Comprehensiveness Indicator for Activities Funded by Heating-and-Process-Fuel Funds

- A. This incentive is designed to encourage VEIC to maximize comprehensive treatment in implementing energy-efficiency measures and projects in the Home Performance with ENERGY STAR single-family initiative (as detailed in Section II.3. of the VEIC Order of Appointment). The single-family initiative is defined as residential housing with less than 5 units per building.
- B. Weighting. The overall weight for this performance indicator is 25% of VEIC's total maximum *Heating-and-Process-Fuel QPI Award* at the *100% Target Level* (\$41,250).
- C. *100% Target Level*. For the period January 1, 2009, through December 31, 2011, the *100% Target Level* for this indicator (also known as the Heating-and-Process-Fuels Comprehensiveness Target) is 100%. The *100% Target Level* will be calculated based on an average of the percent achievement of each of three metrics described below:
 - (a) Percent of air-leakage reduction per project averages more than 34%;
 - (b) Percent of projects with at least 1,500 total square feet of insulation added to areas in the home including the attic and ceiling insulation, wall insulation, floor insulation, foundation insulation, etc. is at least 44%; and
 - (c) Percent of projects with both shell measures and heating-system measures installed is at least 16%.
 - (d) The average percentage will be calculated using a maximum of 120% for any metric (a,b,c) even if the actual performance is greater than 120% for any metric.
- D. Threshold and Scaling Up to *100% Target Level*.
 - (a) VEIC shall be eligible to receive a Performance Award for this indicator only if the *Board* determines that VEIC successfully achieves and documents Heating-and-Process-Fuels Comprehensiveness above a specified threshold. The threshold is set at 70% of the Heating-and-Process-Fuels Comprehensiveness metrics.
 - (b) If VEIC achieves 70% of its Heating-and-Process-Fuels Comprehensiveness Target, it can earn \$20,625 (50% of the amount it would earn if it achieved 100% of its Heating-and-Process-Fuels Comprehensiveness Target). The Performance Award shall be scaled linearly between 70% and 100% of the actual Heating-and-Process-Fuels Comprehensiveness as detailed in **DESCRIPTION OF PERFORMANCE INDICATORS** Paragraph 9.E.

E. Performance Award Up to *100% Target Level*. VEIC's Performance Award shall be:

- (a) \$0 if verified average percent achievement of the three comprehensive metrics is less than 70%.
- (b) \$20,625 for achieving 70% of the *100% Target Level* plus \$687.50 per average percentage point increase between 70% and 100%.

10. Additional Performance Awards for Achievement Above *100% Target Level*

- A. VEIC may earn additional *Electric QPI Awards* if VEIC exceeds the *100% Target Level* for any of the following indicators which are defined in the Section **DESCRIPTION OF PERFORMANCE INDICATORS** Paragraphs 1 through 7:
 - (a) Cumulative Annual Electricity Savings;
 - (b) Total Resource Benefits;
 - (c) Summer Peak Demand Savings;
 - (d) Winter Peak Demand Savings;
 - (e) Summer Peak Demand Savings in Geographic Areas;
 - (f) Winter Peak Demand Savings in Geographic Areas; and
 - (g) Business End Uses.
- B. There is no limit on the dollar amount of additional *Electric QPI Awards* VEIC may earn for exceeding the *100% Target Level* for any single performance indicator, other than the overall total performance award cap of \$2,532,000.
- C. The additional *Electric QPI Awards* for these indicators shall be calculated as follows:
 - (a) \$8.073 for each Verified MWh above 359,700 MWh (*100% Target Level*) of **Verified Electricity Savings**;
 - (b) \$.007 for each Verified TRB\$ above \$313,467,000 (*100% Target Level*) of **Verified TRB**;
 - (c) \$20.6250 for each Verified Summer Peak kW above 51,200 kW (*100% Target Level*) of **Verified Summer Peak Demand Savings**;
 - (d) \$8.1481 for each Verified Winter Peak kW above 54,000 kW (*100% Target Level*) of **Verified Winter Peak Demand Savings**;
 - (e) \$141.2346 for each Verified Summer Peak kW in Geographic Area above 8,100 kW (*100% Target Level*) of **Verified Summer Peak kW in Geographic Area**;
 - (f) \$256.6667 for each Verified Winter Peak kW in Geographic Area above 2,400 kW (*100% Target Level*) of **Verified Winter Peak kW in Geographic Area**; and
 - (g) \$125.7143 for each Verified MWh above 3,500 MWh (*100% Target Level*) of **Verified Business End Uses Savings**.
- D. Scaling above the *100% Target Level* for these seven performance indicators is summarized in Table A-3.

MINIMUM PERFORMANCE REQUIREMENTS

VEIC's eligibility to earn full or partial Performance Awards for *VEIC EEU Electric Funds* is contingent on achievement of five Minimum Performance Requirement (MPR) standards. These standards, and associated impacts on Performance Awards, are set forth in Table A-4. VEIC's eligibility to earn full or partial Performance Awards for *VEIC Heating-and-Process-Fuels Funds* is contingent on achievement of one Minimum Performance Requirement (MPR) standard. This standard and associated impacts on Performance Awards are set forth in Table A-11.

11. Minimum Performance Requirements for *VEIC EEU Electric Funds*

- A. Minimum electric benefits. This requirement is intended to ensure that VEIC produces a minimum benefit-cost ratio of electricity resource savings relative to the costs incurred to implement and evaluate the *EEU* and the *EEC*. Electric benefits are defined as the present value (in year-2009 dollars) of lifetime net electricity savings, valued at current projections of avoided resource costs. Total electric benefits shall not include any electric benefits from the Customer Credit program or from *BED*'s self-implementation of *EEU* services within *BED*'s service territory. Failure to meet this minimum standard of performance would disqualify VEIC from receiving any Performance Award. Total costs for the purposes of this minimum performance requirement standard are defined as the sum of:
 - (a) all expenses paid out by the *Fiscal Agent* from February 2009 through January 2012, except for those related to:
 - i. The Customer Credit program;
 - ii. *BED*'s self-implementation of *EEU* services within *BED*'s service territory (including the *DPS*'s monitoring and evaluation of *BED*'s *EEU* activities);
 - iii. Any performance incentive paid to VEIC in 2009 resulting from VEIC's 2006-2008 activity;
 - iv. Participation in regional capacity market activities;
 - v. Activities related to Smart Grid (*see* provision 4 of Appendix A);
 - vi. Forecast 20 and Demand Resource Planning Process activities; and
 - vii. Heating-and-Process-Fuel Funds.
 - (b) the amount collected to pay for possible earned performance incentives resulting from VEIC's 2009-2011 activity.
- B. Minimum spending on residential customers.
 - (a) This requirement is designed to ensure that VEIC devotes a minimum level of *VEIC EEU Electric Funds* to serving residential customers.
 - (b) Failure to attain this minimum standard of performance would automatically reduce the amount VEIC could earn if it reached the *100% Target Level* for all performance indicators supported by *VEIC EEU Electric Funds* (\$2,180,000) by 18% (or \$392,400).
- C. Minimum low-income spending.
 - (a) This requirement is designed to ensure that VEIC devotes a minimum level of *VEIC EEU Electric Funds* to serving Vermont's low-income population. Low-income spending is defined as the total cost to provide *EEU* services to Vermont ratepayers

whose household income is at or below 80% of the Vermont state median household income.

- (b) Failure to attain this minimum standard of performance would automatically reduce the amount VEIC could earn if it reached the *100% Target Level* for all performance indicators supported by *VEIC EEU Electric Funds* (\$2,180,000) by 18% (or \$392,400).

D. Minimum participation by small non-residential customers.

- (a) This requirement ensures that VEIC serves with *VEIC EEU Electric Funds* a minimum acceptable percentage of small non-residential customers out of all non-residential participants. For this purpose, small non-residential customers are defined as non-residential electric accounts with annual energy consumption of 40,000 kWh or below.
- (b) Failure to attain this minimum standard of performance would automatically reduce the amount VEIC could earn if it reached the *100% Target Level* for all performance indicators supported by *VEIC EEU Electric Funds* (\$2,180,000) by 18% (or \$392,400).

E. Geographic equity.

- (a) This requirement is designed to ensure that VEIC provides a minimum acceptable level of benefits to each of Vermont's counties through its activities supported by *VEIC EEU Electric Funds*. It is agreed that Essex and Orleans Counties will be treated as one geographic region for the purposes of this minimum performance requirement.²
- (b) Failure to meet this minimum standard of performance would automatically reduce the amount VEIC could earn if it reached the *100% Target Level* for all performance indicators supported by *VEIC EEU Electric Funds* (\$2,180,000) by 6% (or \$130,800).

12. The reductions in the maximum *Electric QPI Award* at the *100% Target Level* described above are cumulative. For example, if VEIC fails to meet both minimum performance standards two and three, the maximum *Electric QPI Award* at the *100% Target Level* will be reduced by \$784,800. If VEIC achieves the *100% Target Level* on all performance incentives described in the Section **DESCRIPTION OF PERFORMANCE INDICATORS** Paragraphs 1. through 7., and fails to meet one or more minimum performance standards, it will not be able to earn an *Electric QPI Award* that exceeds the reduced maximum *Electric QPI Award* at the *100% Target Level*. If VEIC exceeds the *100% Target Level* for the performance indicators identified in the Section **DESCRIPTION OF PERFORMANCE**

² It is necessary to combine Essex and Orleans counties in order to mitigate the unintended consequence of Essex County's customer base. Essex County has one customer that is so large, relative to all other customers in Essex County combined, that it would be virtually impossible for VEIC to meet the minimum performance standard for Essex County if the large customer did not complete a significant project. The geographic equity minimum performance standard is intended to encourage VEIC to focus its efforts throughout the state, not to target one particular customer. Combining Essex and Orleans counties for the purpose of the minimum performance standard will encourage VEIC to focus its efforts throughout both counties, rather than solely on Essex County's one large customer.

INDICATORS Paragraph 10., it still may earn performance incentives above the reduced maximum *Electric QPI Award* at the *100% Target Level*. Notwithstanding the previous sentence, if VEIC does not meet one or more minimum performance standards, irrespective of how much VEIC exceeds the *100% Target Level* for one or more performance indicators, the maximum *Electric QPI Award* that VEIC may earn is \$2,532,000 less the required reductions described above.

13. Minimum Performance Requirements for *VEIC Heating-and-Process-Fuels Funds*.

- A. VEIC's eligibility to earn full or partial Performance Awards is contingent on achievement of one Minimum Performance Requirement (MPR). This standard and associated impacts on Performance Awards are set forth in Table A-11.
- B. Minimum spending on residential customers.
 - (a) This requirement is designed to ensure that VEIC devotes a minimum level of 62.5% of the total *VEIC Heating-and-Process-Fuels Funds* expenditures to serving residential customers.
 - (b) Failure to attain this minimum standard of performance would automatically reduce the amount VEIC could earn if it reached the *100% Target Level* for all performance indicators supported by *VEIC Heating-and-Process-Fuels Funds* (\$165,000) by 18% (or \$29,700).
- C. The reductions in the maximum *Heating-and-Process-Fuels QPI Award* at the *100% Target Level* described above are cumulative. For example, if VEIC fails to meet the minimum performance standard, the maximum *Heating-and-Process-Fuels QPI Award* at the *100% Target Level* will be reduced by \$29,700. If VEIC achieves the *100% Target Level* on both performance incentives described in the Section **DESCRIPTION OF PERFORMANCE INDICATORS** Paragraphs 8 and 9, and fails to meet the minimum performance standard, it will not be able to earn a *Heating-and-Process-Fuels QPI Award* that exceeds the reduced maximum *Heating-and-Process-Fuels QPI Award* at the *100% Target Level*. The maximum *Heating-and-Process-Fuels QPI Award* that VEIC may earn is \$165,000 less the required reductions described above.

CALCULATING PERFORMANCE AWARDS

- 14. In determining VEIC's eligibility for an *Electric QPI Award*, the first step will be to assess whether VEIC met the five minimum performance standards. If VEIC fails to meet a minimum performance standard and the maximum *Electric QPI Award* at the *100% Target Level* is reduced accordingly, VEIC will only be eligible to receive the reduced *Electric QPI Award*, even if the sum of the amounts VEIC would otherwise have been eligible to receive for meeting the *100% Target Level* exceeds this reduced amount. For example,
 - A. If VEIC fails to meet minimum performance standard two, but meets the *100% Target Level* for all seven performance indicators described in the Section **DESCRIPTION OF PERFORMANCE INDICATORS** Paragraphs 1 through 7, VEIC would only receive an *Electric QPI Award* of \$1,787,600 even though VEIC would have been eligible for an

Electric QPI Award of \$2,180,000 if it had met all the minimum performance standards.

- B. A more complicated example would be if VEIC fails to meet minimum performance standard two, and fails to meet the minimum threshold for performance indicator seven, but achieves 102% of performance indicator one, and meets the 100% *Target Level* for the remaining five performance indicators. In this situation VEIC's *Electric QPI Award* would be calculated as follows:
- (a) Step 1: Reduce the 100% *Target Level Electric QPI Award* cap by \$392,400 to \$1,787,600 because VEIC failed to meet minimum performance standard two;
 - (b) Step 2: Sum the amounts VEIC would have been eligible to earn at the 100% *Target Level* if it had met all minimum performance standards, excluding the extra amount VEIC is eligible to earn for achieving 102% of performance indicator one (\$719,400 + \$545,000 + \$261,600 + \$109,000 + \$283,400 + \$152,600 + \$0 = \$2,071,000);
 - (c) Step 3: Compare the results of steps one and two. VEIC is eligible to earn an *Electric QPI Award* equal to the lesser of the two amounts for its 100% *Target Level* performance, in this example, \$1,787,600;
 - (d) Step 4: Calculate the amounts VEIC is eligible to earn above the 100% *Target Level* (in this case \$58,080 for achieving 2% above the 100% *Target Level* for performance indicator one);³ and
 - (e) Step 5: Add the results of steps three and four. VEIC earns an *Electric QPI Award* equal to the sum of these amounts, in this example, \$1,845,680.

³ In no case would VEIC be eligible to earn more than the total available *Electric QPI Award* amount of \$2,532,000 less the amount of the failed minimum standard, in this case \$2,532,000 less \$392,400 or \$2,139,600 for its achievements above the 100% *Target Level*.

**ATTACHMENT G: DEFINITIONS RELATING SOLELY TO APPENDIX A TRANSITION
PERIOD PLAN AND ASSOCIATED ATTACHMENTS**

Whether in the singular or plural, the following words and phrases shall have the following meanings in Appendix A and its associated Attachments. Note, not all definitions in this Attachment are used in Appendix A or its associated Attachments.

- A. **5980 Order** means the *Board's* Order of September 30, 1999, in Docket No. 5980.
- B. **Act 61** means Public Act No. 61 (2005 Vt., Bien. Sess.).
- C. **Act 92** means Public Act No. 92 (2008 Vt., Adj. Sess.).
- D. **Act 208** means Public Act No. 208 (2006 Vt., Adj. Sess.).
- E. **Agreement** means this *State* Contract for Services and all Attachments hereto, as all may be amended from time to time.
- F. **BED** means the City of Burlington Electric Department.
- G. **Board** means the Vermont Public Service *Board* identified in 30 V.S.A. § 3.
- H. **Budget Order** means the *Board's* August 2, 2006, Order that established new *EEU* budgets for 2006, 2007, and 2008.
- I. **Budget Order 2009-2011** means the *Board's* August 29, 2008, Order that established the *EEU* budgets for 2009, 2010, and 2011.
- J. **Business Sector**, for the period January 1, 2006, through December 31, 2008, means all of the activities detailed in Attachment A, Paragraph I.E.6.e that are identified under the heading of *Business Sector*. **Business Sector**, for the period January 1, 2009, through December 31, 2011, means all of the activities detailed in Attachment L, Paragraph I.E.6.e that are identified under the heading of *Business Sector*.
- K. **Contract Administrator** means the person or entity selected and retained by the *Board*, to manage, monitor and enforce this *Agreement* on behalf of and pursuant to the instructions of the *Board*.
- L. **Contractor** means Vermont Energy Investment Corporation or *VEIC*.
- M. **Contractor EEU Funds** means the portion of the *EEU Funds* that are available to the *Contractor* to perform the *Work* under this *Agreement* during the period January 1, 2006,

through December 31, 2008. The *Contractor EEU Funds* for a calendar year are comprised of: (1) any regional wholesale market capacity payments for energy efficiency resources that the Board determines should be used to support the *EEU's* participation in the regional capacity market; and (2) the total funds approved for collection via the *EEC* (not including any true-up from over/under collections of the *EEC* from prior years) by the *Fiscal Agent* for that calendar year plus any *Board*-approved carry-over of unspent *EEU Funds* from prior calendar years less the following deductions:

DPS EEU monitoring and evaluation costs;

Contract Administrator fees;

Fiscal Agent fees;

Fiscal Agent audit fees;

EEU Funds that are for *BED's* self-implementation of *EEU* services within *BED's* service territory, as approved by the *Board*; and

Customer Credit Net Pay Option Available Incentive Funds.

- N. *Customer Credit Net Pay Option Available Incentive Funds*** are the total funds available to customers who qualify under the Customer Credit program pursuant to the *Board* Memorandum dated January 27, 2004. These are the *EEC* funds that are rebated back to the qualifying customers and are not available as compensation to the *Contractor* to perform the *Work*.
- O. *Customized Software*** means any computer software, including any related database structure, that is not readily available for purchase and that is modified, developed, and/or written by the *Contractor* or its subcontractor(s) specifically for the purpose of performing the *Work*.
- P. *Department* or *DPS*** means the Vermont *Department* of Public Service.
- Q. *Docket 7466*** means the *Board's* investigation into a petition filed by the *Department* regarding the structure of the Energy Efficiency Utility program. This investigation was opened on September 11, 2008.
- R. *EEC*** means the Energy Efficiency Charge, which is the volumetric charge to Vermont electric distribution utility customers for the support of energy efficiency programs pursuant to 30 V.S.A § 209(d)(3).
- S. *EEC Exemption Order*** means the *Board's* January 8, 2007, Order that established a mechanism under which customers may apply for an exemption from a portion of the *EEC* charges which they would otherwise owe. This mechanism was only in effect until March 19, 2008, which was the date new legislation that removed the program's statutory basis became effective.
- T. *EEU*** means the Energy Efficiency Utility identified in the *RFP*, and in the *MOU*.

- U. *EEU Funds*** means all funds to be used to support all aspects of the *EEU*'s operations for the 2006-2008 period, as determined by the *Board*, including those collected via the *EEC*, and any regional wholesale market capacity payments for energy efficiency resources that the *Board* determines should be used to support the *EEU*'s operations.
- V. *EEU Funds 2009-2011*** means all funds to be used to support all aspects of *VEIC*'s *EEU* operations, as determined by the *Board*, including those collected via the *EEC*, and any regional wholesale market capacity payments for energy efficiency resources. *EEU Funds 2009-2011* is the sum of *VEIC Electric EEU Funds*, *VEIC FCM Funds*, and *VEIC Heating-and-Process-Fuel Funds*.
- W. *Electric QPI Award*** means the performance incentive award that the *Contractor* could earn as a result of its activities in the 2009-2011 time period that are funded by *Contractor Electric EEU Funds*.
- X. *Fiscal Agent*** means the person or entity selected and retained by the *Board* to receive the *EEU Funds* and the *EEU Funds 2009-2011* and to disburse those funds under the direction of the *Board*.
- Y. *FCM*** means the New England Forward Capacity Market in which demand resources, such as energy efficiency, may be bid into a capacity market on a comparable basis with supply resources such as generation. Since the commitment period for *FCM* resources did not begin until June, 2010, *ISO-NE* developed rules for a Transition Period, starting in December, 2006, and extending through May 31, 2010. During this Transition Period, available capacity in New England, including demand resources such as energy efficiency, was eligible to receive capacity payments at a fixed price per kW established by the Transition Period rules.
- Z. *FCM Order*** means the *Board*'s December 15, 2006, Order that authorizes *Contractor* to participate in the New England regional capacity market on behalf of Vermont ratepayers, including submitting invoices or bids and receiving payments for energy efficiency measures installed as part of the *Work*.
- AA. *Forecast 20*** means the 20-year estimate of demand-side management savings to be realized from services and initiatives to be delivered under the *EEU* structure, excluding any services and initiatives that may be provided pursuant to Paragraph II.S of Attachment L. The *Board*'s June 20, 2007, Order in Docket 7081 approving a Memorandum of Understanding requires that a new Forecast 20 be performed every three years.

- BB. *Geographic Targeting Order*** means the *Board's* January 8, 2007, Order that identifies the geographic areas in which *Contractor* should "target" some of its activities during 2007 and 2008.
- CC. *Geographic Targeting Order 2009-2011*** means the *Board's* November 4, 2008, Order that identifies the geographic areas in which *Contractor* should "target" some of its activities during 2009, 2010, and 2011.
- DD. *GMP Efficiency Fund*** means the fund established by Green Mountain Power Corporation, pursuant to the Board's March 26, 2007, Order in Docket 7213, to invest in projects that deliver significant and incremental benefits to Green Mountain Power Corporation ratepayers.
- EE. *Heating-and-Process Fuels*** means all heating-and-process fuels, except those whose providers are regulated by the *Board*.
- FF. *Heating-and-Process-Fuel QPI Award*** means the performance incentive award that VEIC could earn as a result of its activities in the 2009-2011 time period that are funded by *VEIC Heating-and-Process-Fuel Funds*.
- GG. *ISO-NE*** means Independent System Operator of New England, Inc. which is the regional transmission organization responsible for overseeing the operation of New England's bulk electric power system and wholesale electricity marketplace.
- HH. *Market Actor*** means a person, business or organization that affects the market availability and implementation of energy efficient technologies, products, practices and designs, including, but not limited to, design professionals, contractors, retailers, suppliers, manufacturers, associations and institutions.
- II. *MOU*** means the Memorandum of Understanding approved by the *Board* in Docket No. 5980 and attached to the *5980 Order* as Appendix A and as further modified by the *Board*.
- JJ. *NEPOOL*** means the New England Power Pool which is a voluntary association of business entities participating in electric power markets in New England.
- KK. *One Hundred Percent (100%) Target Level*** for the period January 1, 2006, through December 31, 2008, refers to the target for each performance indicator as detailed in Attachment C and shown in Table C-1. For the period January 1, 2006, through December 31, 2008, the maximum Performance Award if the *Contractor* meets the 100% Target Level for each performance indicator (sometimes referred to as the "maximum Performance Award at the 100% Target Level") is shown in Table C-1. ***One Hundred Percent (100%) Target Level*** for the period January 1, 2009, through December 31, 2011, refers to the target for each performance indicator as detailed in Attachment A and

shown in Tables A-1 and A-9. For the period January 1, 2009, through December 31, 2011, the maximum Performance Award if the *Contractor* meets the 100% Target Level for each performance indicator (sometimes referred to as the "maximum Performance Award at the 100% Target Level") is shown in Tables A-1 and A-9.

LL. *Residential Sector*, for the period January 1, 2006,, through December 31, 2008, means all of the activities detailed in Attachment A, Paragraph I.E.6.e that are identified under the heading of *Residential Sector*. ***Residential Sector***, for the period January 1, 2009, through December 31, 2011, means all of the activities detailed in Attachment L, Paragraph I.E.6.e that are identified under the heading of *Residential Sector*.

MM. *Residential Standard Compact Fluorescent Lamp (Residential Standard CFL)* is a lamp for general illumination that uses fluorescent light emitting technology and an integrated electronic ballast with a standard Edison screw-base. *Residential Standard CFLs* are available in a variety of wattages and available in color temperatures from 2700K to 3000K. They are not dimmable, are not designed for special applications, do not have special color enhancement properties, and do not have non-standard Edison screw-bases. For the purpose of this *Agreement*, the term *Residential Standard CFL* only applies to lighting products meeting the definition above and supplied through Retail Efficient Products (as included in Attachment L, Paragraph II.A.1) to residential customers. Products not meeting the definition, nor supplied to residential customers through Retail Efficient Products will not be considered *Residential Standard CFL* products.

NN. *RFP* means the *Board's* Request for Proposals for a Vermont Energy Efficiency Utility and Appendices released April 27, 2005.

OO. *Response* means *VEIC's* response to the *RFP* dated June 15, 2005, titled "Response to Request for Proposals for a Vermont Energy Efficiency Utility."

PP. *Self-Administered Energy Efficiency Program* means the program authorized by 30 V.S.A. § 209(d)(4) under which a customer who pays an average annual *EEC* of at least \$5,000 may apply to the *Board* to self-administer energy efficiency through the use of an energy savings account which contains a percentage of the customer's *EEC* payments, as determined by the *Board*. This program was authorized in new legislation that took effect March 19, 2008, and it replaces the mechanism set forth in the *EEC Exemption Order*.

QQ. *State* means the *State* of Vermont including its agencies, departments, and boards.

RR. *Targeting Order* means the *Board's* September 25, 2006, Order regarding "targeting" some of the *EEU* budget, initially toward peak capacity reductions statewide and ultimately toward energy and capacity reductions in certain geographic areas.

SS. *Technical Reference Manual* or *TRM* means the TRM Master and the TRM Users' Manual which provide the technical description of all prescriptive and some custom energy efficiency measures. The *Contractor* maintains the *TRM* and coordinates any changes to the *TRM* with the *DPS*. The *TRM* serves as a basis for the savings claims as described in Paragraph V.A.2 of Attachment C and Paragraph VI.A.2 of Attachment N.

TT. *VEIC* means Vermont Energy Investment Corporation, a Vermont non-profit corporation with its principal offices at 255 South Champlain Street in Burlington, Vermont and whose Vermont Tax Identification Number is 430030304418F01.

UU. *VEIC Electric EEU Funds* means the portion of the funds approved for collection via the *EEC* that are available to *VEIC* to perform the electric efficiency portion of the *Work* during 2009-2011 under this *Agreement*. The *VEIC Electric EEU Funds* for a calendar year are comprised of the total funds approved for collection via the *EEC* (not including any true-up from over/under collections of the *EEC* from prior years) for that calendar year plus any *Board*-approved carry-over of unspent *Contractor EEU Funds* or *VEIC Electric EEU Funds* from prior calendar years less the following deductions:

DPS EEU monitoring and evaluation costs;

Contract Administrator fees;

Fiscal Agent fees;

Fiscal Agent audit fees;

The portion of the funds approved for collection via the *EEC* that are for *BED*'s self-implementation of *EEU* services within *BED*'s service territory, as approved by the *Board*; and

Customer Credit Net Pay Option Available Incentive Funds.

G. *VEIC FCM Funds* means the portion of the *EEU Funds 2009-2011* that are available to the *Contractor* to perform Paragraph II.X of the *Work* during 2009-2011 under this *Agreement*. The *VEIC FCM Funds* for a calendar year are comprised of any revenues from the regional wholesale market capacity payments for energy efficiency resources that are used to pay *VEIC*'s costs of participating in that market.

H. *VEIC Heating-and-Process-Fuel Funds* means the portion of the *EEU Funds 2009-2011* that are available to *VEIC*, pursuant to 30 V.S.A. § 209(d)(7), to perform the Heating and Process fuel portion of the *Work* during 2009-2011 under this *Agreement*. The *VEIC Heating-and-Process-Fuel Funds* for a calendar year are comprised of: (1) revenues from regional wholesale market capacity payments for energy efficiency resources, excluding *ISO-NE* payments received by *BED*, and less (a) *DPS* and *Contract Administrator* costs associated with *ISO-NE FCM* activities, and (b) *VEIC FCM Funds*; plus (2) proceeds available to *VEIC* from the sale of Vermont's share of Regional Greenhouse Gas Initiative allowances.

- I. ***Vermont System Planning Committee*** or ***VSPC*** means the entity, formed as a result of the Board's June 20, 2007, Order in Docket 7081, that plays a key role in a new planning process for Vermont's electric transmission system. This planning process is designed to facilitate the full, fair, and timely consideration of cost-effective non-transmission alternatives to new transmission projects. The process involves better coordination among Vermont's utilities, transparency to the public about planning activities, and structured mechanisms for public involvement. The process includes the preparation of *Forecast 20*.

APPENDIX B: GUIDELINES FOR CUSTOMER-SITED GENERATION AND COMBINED-HEAT-AND-POWER PROJECTS

VEIC shall use the following guidelines to respond to lost-opportunity, customer-initiated or vendor-initiated projects where customer-sited generation including combined heat and power ("CHP") is being considered.

J. For any customer-sited generation projects that are primarily a substitution for grid-supplied power, VEIC will limit its involvement to the provision of limited general information and referral to other sources of information and assistance.

K. VEIC may assist projects that involve customer-sited generation in the form of CHP if the projects meet the following technical and economic performance criteria. As is the case with all VEIC-supported projects, the assistance will be limited to the minimum required to complete cost-effective projects.

Technical Criteria

- (a) Only those CHP projects that achieve a high level of overall efficiency (including both heat and power generation efficiency, and including utilization of thermal output) will be supported. Systems must meet the following criteria:
 - (i) The design system efficiency must be at least 65 percent, with a minimum 13 percent of the system output as electricity and a minimum 20 percent as useful thermal energy;^{4 5 6}

L.

- M. For customers who choose to pursue demand response opportunities with a demand response provider and VEIC, VEIC may investigate with the demand response provider the installation or expansion of an Energy Management System, or other measures, that will have both demand response and energy savings capabilities. If such an installation passes current State of Vermont cost-effectiveness screening criteria, VEIC may provide technical and financial assistance to the customer similar to any other efficiency measure; and
- N. Nothing herein is intended to confer on the VEIC the responsibility to propose or offer demand response independently into any demand response program.
- O. Long-term guidelines. During the transition period (through 12/31/2011), refinements of these interim guidelines will be considered jointly by the distribution utilities, the Vermont Department of Public Service and VEIC, and shall be designed to work in concert with the host distribution utility's demand response strategy and initiatives (including any rate designs). Proposed changes may be submitted for consideration by the Board.